

DECISION MEMORANDUM

TO: COMMISSIONER KEMPTON
COMMISSIONER SMITH
COMMISSIONER REDFORD
COMMISSION SECRETARY
COMMISSION STAFF

FROM: KRISTINE SASSER
DEPUTY ATTORNEY GENERAL

DATE: JULY 30, 2010

SUBJECT: IN THE MATTER OF AVISTA'S 2010 PCA, CASE NO. AVU-E-10-03

On July 27, 2010, Avista filed its annual Power Cost Adjustment (PCA) Application. Avista requests an order approving a PCA surcharge of 0.532¢/kWh for recovery of power costs deferred for the period of July 1, 2009 through June 30, 2010. Application at 1.

Avista's PCA mechanism is used to track changes in revenues and costs associated with variations in hydroelectric generation, secondary prices, thermal fuel costs, and changes in power contract revenues and expenses. The Company's existing PCA methodology and method of recovery were approved in 2007 in Case No. AVU-E-07-01 (Order No. 30361). In that case, the Commission approved a change in the PCA methodology from a trigger and cap mechanism to a single annual PCA rate adjustment filing requirement. The Commission also approved a change in the method of PCA deferral recovery from a uniform percentage basis to a uniform cents per kWh basis.

The proposed 0.532¢/kWh PCA surcharge will replace an existing 0.344¢/kWh surcharge, for an increase of 0.188¢/kWh (or 2.61%). The proposed surcharge is designed to recover power costs deferred by the Company for the period of July 1, 2009 through June 30, 2010, as well as the unrecovered balance related to the July 1, 2008 through June 30, 2009 deferral period, and interest during the recovery period of October 1, 2010 through September 30, 2011. The primary factors contributing to the higher power supply expenses during the deferral period are low hydro generation and costs associated with the Lancaster plant.¹

¹ Lancaster costs are currently being recovered through the PCA because the power purchase agreement became effective after base rates were established in AVU-E-09-01. Stipulation and Settlement at 10, approved by Order No. 30856.

Under the Company's proposal, an average residential customer using 1,000 kWh per month will experience an increase in their monthly bill of \$1.88. The actual percentage increase will vary by rate schedule as shown below.

Customer Group (Schedule)	Percentage Increase
Residential (Schedule 1)	2.30%
General Service (Schedules 11, 12)	1.91%
Large General Service (Schedules 21, 22)	2.46%
Extra Large General Service (Schedule 25)	3.53%
Clearwater (Schedule 25P)	3.83%
Pumping Service (Schedules 31, 32)	2.34%
Street and Area Lights (Schedules 41-49)	0.81%

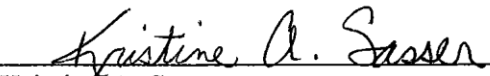
The Company requests that its Application be processed by Modified Procedure and that its rates become effective on October 1, 2010.

STAFF RECOMMENDATION

Staff recommends that the case be processed by Modified Procedure with comments due by September 16, 2010.

COMMISSION DECISION

1. Does the Commission wish to process this case under Modified Procedure with comments due no later than September 16, 2010?



Kristine A. Sasser
Deputy Attorney General

M:AVU-E-10-03_ks